

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

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**NOTICE OF FUNDING AVAILABILITY**

**FARM WORKER HOUSING ASSISTANCE PROGRAM STATE TAX CREDITS**

**February 21, 2007**

**Farm Worker Housing Assistance Program Funds: \$4.7 Million**

**A. Introduction**

The California Tax Credit Allocation Committee (TCAC) announces the availability of approximately \$4.7 million for the Farm Worker Housing Assistance Program (FWHAP). An application for the FWHAP state tax credits can be made in combination with an application for the 9% Low-Income Housing Tax Credit Program (LIHTC).

TCAC receives \$500,000 annually in state tax credit allocations for the FWHAP. As of January 1, 2007, the aggregate total of available state tax credits is approximately \$4.7 million. A prospective applicant may submit a request for a maximum allocation of \$2,000,000 during this funding round.

**B. Application Submittal**

1. Application Due Date: **March 22, 2007.**

The FWHAP application must be received by TCAC no later than the close of business (5:00 p.m.) on Thursday, March 22, 2007. Late applications will not be accepted.

2. Application forms for the “combined” LIHTC/FWHAP application can be obtained by accessing the TCAC website: [www.treasurer.ca.gov/ctcac](http://www.treasurer.ca.gov/ctcac).

**NOTE: ONLY a “combined” application will be allowed during this funding round.**

3. Applications are to be submitted in **duplicate** and on the forms provided by TCAC. These forms cannot be modified. Applications with material internal inconsistencies or lacking essential information will be deemed incomplete.

**C. Application Review and Evaluation**

1. Applications will be reviewed by TCAC staff during the 1<sup>st</sup> funding round. The staff recommendations will be presented to the TCAC Committee at the same meeting as the 1<sup>st</sup> funding round for LIHTC tax credits. Should the application fail to meet the completeness or threshold tests, the applicant will be promptly notified prior to the Committee meeting.

#### **D. Program Summary**

1. The FWHAP provides for the rehabilitation of existing, or construction of new, farmworker housing. Successful applicants may receive an allocation of state tax credits that may be applied to offset relevant state income tax liability. The state tax credits are based upon analysis of the project defined “eligible costs” at 50% of the determined “eligible costs.” The program also provides a credit to lenders providing below market-interest rate loans to finance the construction or rehabilitation of farmworker housing. Banks or financial corporations are eligible for a tax credit in an amount equal to 50% of the difference between the market-rate interest income and the amount of interest charged the farmworker housing project at the below-market interest rate.
2. To obtain FWHAP state tax credits, applicants and/or lenders must submit an application addendum in “combination” with a LIHTC application. The application and addendum must be submitted before the payment or incurrence of costs or funding of the loan, which provides information regarding the proposed project. Such information will include, but not be limited, to:
  - the project ownership structure;
  - the project location;
  - the project sources and uses;
  - the project operating income and expenses.
3. Eligible types of housing include multi-family dwellings, single-family dwellings, mobile homes, or prefabricated housing. Occupants of the housing assisted by the FWHAP must be farmworkers, however, the owner of the farmworker housing project need not employ them. Family projects will receive preference under the program.

**NOTE: Housing Type eligibility requirements shall be governed by LIHTC regulations.**

4. If more credit is requested than that available, TCAC will evaluate and rank the applications according to criteria set forth in its regulations. The highest-ranking project or projects will receive a reservation of credit in an amount based on the project costs. The applicant must also be successful in the competition for 9% LIHTCs in order to receive the FWHAP state tax credits.
5. TCAC will allocate state tax credits based on eligible costs once the project has met the TCAC placed-in-service requirements. TCAC will issue TCAC Form 3521B, Certification of Credit, evidencing the issuance of the tax credit allocation. Owners may apply the credit against the current year’s tax liability. If the credit received by the owner

exceeds the owner's liability, the excess credit may be carried over and used during subsequent years. Credit received by lenders will be allowed in equal installments over a 10-year period. If the credit exceeds the liability, the excess may not be carried over into future years.

6. Farmworker housing owners receiving an allocation must enter into an agreement with TCAC which provides that the housing produced under the program will be maintained as farmworker housing for a period of 55 years when funded in combination with a 9% LIHTC application.

#### **E. Maximum Amount of State Tax Credits Limited**

1. The maximum amount of FWHAP state tax credits allocated per project is limited to \$2,000,000 as determined by TCAC and based on the project's demonstrated "eligible costs."

#### **F. Limitations on the Use of Farmworker Housing Assistance Program State Tax Credits**

1. The following limitations will apply when combining LIHTC and FWHAP state tax credits:
  - a. The extended use period for the project will be 55 years.
  - b. Tax credits for each program are determined separately and may be applied to the same eligible items.
  - c. FWHAP units are limited to multi-family residential units.
  - d. FWHAP state tax credits may only be requested when also applying for 9% LIHTCs.
  - e. The housing type must be an established housing type of the LIHTC program.
  - f. Dormitory or same-sex housing would not be eligible.
  - g. Rents must be restricted to LIHTC rent levels.
  - h. Credits can only be received on occupied housing.
  - i. Disqualifying elements for either program would be in full force and effect.

#### **G. Developer Fee limitations**

1. The maximum allowable developer fee for a "combined" application is 7% of farmworker eligible costs. This same amount is the maximum developer fee limit allowed under the LIHTC calculation. "Combined" projects limit the developer fee, for both programs, to a combined maximum of 7% of LIHTC eligible basis (exclusive of developer fees).

#### **H. Timeframes for Use of Program Funds**

1. As a condition precedent to the issuance of FWHAP state tax credits in combination with 9% LIHTCs, the applicant will enter into a 55-year extended use agreement at placed-in-service. Applicants have to meet the same placed-in-service requirements as a "combined" application; namely, by the end of the 2<sup>nd</sup> calendar year from the year of initial reservation. (i.e. 2006 application must be placed-in-service by no later than December 31, 2008).

2. This Notice of Funding Availability opens the application period and serves as notification of funds availability under the FWHAP. It also summarizes key elements of the program. This notification, however, should not be deemed, in any manner, as a conclusive statement of FWHAP policy or regulations.
3. Applicants are encouraged to contact the TCAC Analyst assigned to their area for technical assistance. Applicants may visit TCAC's website for an application package.

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